

Data Sheet

USAID Mission:	Nicaragua
Program Title:	Economic Freedom
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	524-022
Status:	Continuing
Planned FY 2006 Obligation:	\$7,755,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2007 Obligation:	\$4,030,000 DA
Year of Initial Obligation:	2003
Estimated Year of Final Obligation:	2008

Summary: USAID's trade-led economic growth and sustainable environmental management program will help increase the competitiveness of Nicaraguan products in regional and international markets as well as conserve biodiversity and mitigate climate change. The program will provide technical assistance, technology transfer, and encourage value-added production to improve the quality and quantity of Nicaraguan exports. USAID will foster free trade and job creation by assisting the Government of Nicaragua (GON) in trade capacity building and economic policy reform activities related to the implementation of the Central America and the Dominican Republic Free Trade Agreement (CAFTA-DR) and other free trade agreements. These include the dual priorities of ensuring workers' rights and environmental conservation. The program will improve food security among the rural poor by diversifying their crops and linking them to markets. The program will also help mitigate the root causes of gang membership by training young adults and out of school youth in basic skills required to obtain and hold a job.

Inputs, Outputs, Activities:

FY 2006 Program:

Improve Economic Policy and the Business Environment (\$1,500,000 DA). USAID is continuing activities to improve the business climate through better customs and sanitary and phytosanitary systems, more transparent procedures, and fee-based management systems. USAID is building a coalition of private and civil society groups to work in partnership with the government to advocate for legal, regulatory, and policy reforms that will reduce trade barriers. USAID is promoting management and labor relations whereby companies become more competitive while complying with environmental and labor laws and regulations. The U.S. Department of Treasury and USAID are partnering to provide advisory services to the Ministry of Finance to develop mechanisms and policies to reduce the GON's internal debt. This partnership will also provide expert advice to the GON Tax Administration Office that improves tax collection procedures that offset spending restrictions imposed by the International Monetary Fund's (IMF) Heavily Indebted Poor Country (HIPC) agreement. Principal contractors, grantees, and agencies: U.S. Department of Agriculture (USDA), U.S. Treasury Department, and a contractor to be determined through a competitive process.

Improve Private Sector Competitiveness (\$4,235,000 DA). USAID is working with small and medium scale enterprises and emerging competitive agricultural sectors in Nicaragua such as fresh produce, plantains, and specialty coffee with the intent of improving market competitiveness and establish market linkages. Market information is being widely disseminated through workshops, trade shows, and study tours. Such venues are helping Nicaraguan firms take advantage of new market opportunities resulting from the CAFTA-DR and other free trade agreements. USAID is beginning to expand its technical assistance to other clusters such as light industry, tourism, and certified forestry. USAID is also launching new activities to promote cleaner production technologies among micro, small, and medium firms and in priority economic clusters. Through the Development Credit Authority, USAID continues to provide capital to entrepreneurs

to expand services. USAID also is continuing to promote market-led diversification and improved agricultural technologies through the P.L. 480 Title II Program. Principal contractors and grantees: Adventist Development Relief Agency, Catholic Relief Services, Michigan State University, Project Concern International, Save the Children, two commercial banks in Nicaragua - Bank of Production and Central American Leasing Financial Company, other implementers to be determined through a competitive process.

Improve Sustainable Management of Natural Resources and Biodiversity (\$1,020,000 DA). USAID will help Nicaraguan firms begin the process of forest certification and other environmental certification in agriculture, aquaculture, light manufacturing, and tourism. By the end of 2006, USAID expects that some companies will receive environmental certifications and initiate trade under these certification systems. USAID will also develop new environmental models for protected areas and private nature reserves to bring more hectares under improved environmental management. Principal contractors, grantees, and agencies: U.S. Department of Agriculture Forest Service and other implementers to be determined through a competitive process.

Increase Trade and Investment (\$1,000,000 DA). USAID is helping establish a private foundation called the Nicaraguan Foundation for Social and Economic Development (FUNIDES). This Foundation will develop a portfolio of projects aimed at implementing the CAFTA-DR. USAID will support the high priority activities in the CAFTA-DR Environmental Cooperation Agreement Work Plan. Implementers to be determined through a competitive process.

FY 2007 Program:

Improve Economic Policy and the Business Environment (\$1,000,000 DA). USAID will continue to assist the GON in developing its sanitary and phyto sanitary systems. Through FUNIDES, USAID will continue to implement activities that will lead to improvements in the business environment and the development of public/private coalitions. Principal contractors and grantees: FUNIDES and other implementers to be determined through a competitive process.

Improve Private Sector Competitiveness (\$1,800,000 DA). USAID expects to train Nicaraguan businesses to provide certification and business development services through fee based arrangements. USAID assisted firms which have adopted cleaner production technologies will serve as models for a total of 50 new firms that will be utilizing these technologies by the end of 2009. USAID will continue to increase the competitiveness of micro, small, and medium firms and expand their exports within regional and international markets with the goal of increasing sales by \$60 million between FY2006 and FY2009. Implementers to be determined through a competitive process.

Improve Sustainable Management Of Natural Resources and Biodiversity (\$1,030,000 DA). Through the application of environmental management models, USAID will work towards the target of bringing 300,000 hectares under improved environmental management by 2009. Implementers to be determined through a competitive process.

Increase Trade and Investment (\$200,000 DA). USAID will provide targeted technical assistance to help the GON implement commitments under the CAFTA-DR. Implementers to be determined through a competitive process.

Performance and Results: USAID's activities in support of this Strategic Objective have achieved important results since the program began, including the harmonization of Custom Union procedures which are consistent with provisions in the CAFTA-DR; new regulations for the production and import of certified seeds; a new forestry law; and a 19% increase in gross tax collections in 2005. USAID assistance helped Nicaraguan producers increase sales by \$15.9 million and helped create about 24,000 full-time equivalent jobs in FY 2005. USAID programs led to improved environmental management of 40,339 hectares of land.

By program completion, USAID expects that the competitiveness ranking of Nicaragua will have improved relative to other countries. USAID anticipates an increase in the percent of higher value added sectors and subsectors (e.g., light manufacturing, tourism, services, nontraditional agricultural and green products), relative to the overall economy.

US Financing in Thousands of Dollars

Nicaragua

524-022 Economic Freedom	DA	DCA	PL 480
Through September 30, 2004			
Obligations	18,378	1,719	11,014
Expenditures	131	0	11,014
Unliquidated	18,247	1,719	0
Fiscal Year 2005			
Obligations	14,060	0	5,999
Expenditures	11,765	106	5,999
Through September 30, 2005			
Obligations	32,438	1,719	17,013
Expenditures	11,896	106	17,013
Unliquidated	20,542	1,613	0
Prior Year Unobligated Funds			
Obligations	0	0	0
Planned Fiscal Year 2006 NOA			
Obligations	7,755	0	6,597
Total Planned Fiscal Year 2006			
Obligations	7,755	0	6,597
Proposed Fiscal Year 2007 NOA			
Obligations	4,030	0	6,809
Future Obligations	37,695	0	4,366
Est. Total Cost	81,918	1,719	34,785